Air Force Materiel Command

Developing, Fielding, and Sustaining America's Aerospace Force

U.S. AIR FORCE

Financial Aspects of Service Contracts

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Integrity - Service - Excellence

Financial Aspects

- Contract Funding (Appropriations Law)
- Contract Formation (Work Management)
- Contract Type (Allocation of Risk)
- Contract Performance and Administration
- Contract Payment and Financing
- Contracting for Commercial Services

Contract Funding

- **Appropriation of Funds**
  - **31 USC 1301(a) – Purpose**
- **The Anti-Deficiency Act**
  - **31 USC 1341 – Amount**
- **The Bona Fide Needs Rule**
  - **31 USC 1502(a) – Time Period**

Contract Funding (2)

- **Annual Appropriations**
- **Term (Severable) Contracts**
- **Completion (Non-Severable) Contracts**
- **Exception in FAR 37.106(b)**
  - **May Cross Fiscal Year, but**
  - **Not Exceeding One Year**

Contract Formation

- **Nature of the work effort shapes the management approach; the management approach shapes the form of the contract:**
  - **Completion, Non-Severable, Outcome, or**
  - **Term, Severable, by the Man-Hour/Month**

Contract Type

- **Allocation of risk determines contract type**
  - **Firm, Fixed Price**
  - **Cost Reimburseable**
  - **Time & Materials / Labor-Hour**
- **Contract type determines needs and standards for accounting systems**
- **Incentives / Awards can be incorporated**

Contract Administration

- Contract performance must be evaluated
- Contract type establishes duties and rights
- Contract monitor must know the clauses:
  - Inspection of Services – Fixed Price
  - Inspection of Services – Cost Reimbursement
  - Inspection – T&M / L-H
- Money can be a limiting factor:
  - Limitations of Cost, Funds, or Gov't Obligation

Contract Payment

- **Payments – Fixed Price**
  - **Payment for work completed**
- **Payments – Time & Materials / Labor-Hour**
  - **Payment for work effort expended**
- **Allowable Cost and Payment**
  - **Payment for costs incurred in work effort**
- **Completion contracts may be financed**
  - **Performance, progress, or cost based**
  - **Gov’t has limited security interest available**

Commercial Services

- **2004 National Defense Authorization Act includes the provisions of the Services Acquisition Reform Act (SARA):**
  - **Commercial Services definition expanded to services typically offered on T&M basis**
  - **FAR will allow FFP, FP-EPA, T&M, L-H**
  - **Not yet implemented…due to many unforeseen complexities**

Commercial Services

- **Questions abound on how to manage increased risks under T&M:**
  - **Evaluation, comparison, selection of offers?**
  - **CLIN/SubCLIN visibility and management?**
  - **Surveillance and inspection procedures?**
  - **Interim payments and/or financing?**
  - **Quick close-out or audits on indirect costs?**
  - **Remember that cost-plus-percentage-of-cost is prohibited!**

Financial Aspects

- **Questions?**
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